

# HIGHER EDUCATION

**H**igher Education provides the adult population with basic and career skills, postsecondary, graduate and doctoral instruction, and research to develop the workforce, intellectual capital, and innovations necessary to promote the economy and well being of the state's citizenry.

Drawing from the top 12.5 percent of the state's high school graduates, the University of California (UC) provides graduate and undergraduate instruction and is the primary segment authorized to independently award doctoral degrees as well as professional degrees in law, medicine, dentistry, and veterinary medicine. In addition to providing instruction, UC is the primary state-supported academic institution for research, operates teaching hospitals and clinics, research institutes and laboratories, agricultural field stations, and the Cooperative Extension program.

The California State University (CSU) provides undergraduate instruction and graduate instruction through the master's degree, awards the doctoral degree in education, and is authorized to award other doctoral degrees in conjunction with UC or a private institution. Students from the top one-third of the state's high school graduates, as well as transfer students who have successfully completed specified college work, are eligible for undergraduate admission to CSU. Many CSU students are older and/or employed and attend part-time, especially at the graduate level.

The California Community Colleges (CCC) are publicly supported local education agencies that offer academic and vocational education at the lower division level for recent high school students and returning adult students; advance California's economic growth and global competitiveness through education, training, and services that contribute to continuous

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workforce improvement; and provide remedial instruction for hundreds of thousands of adults across the state through basic skills courses and adult non-credit instruction.

The California Student Aid Commission (CSAC) administers state financial aid to students attending all segments of public and private postsecondary education. Working together with EdFund, which is the auxiliary loan guaranty agency that operates with oversight by CSAC, the Commission administers federal and state-authorized financial aid, including state-funded grants, work-study programs, and federally guaranteed loans. In addition to serving as California's student loan guaranty agency, EdFund serves as a guaranty agency for colleges and universities located throughout the United States.

### GOVERNOR'S HIGHER EDUCATION COMPACT

In 2004, the Governor entered into an agreement with the UC and the CSU called the Higher Education Compact (Compact). The Compact provides a six-year resource plan for the UC and the CSU that addresses annual base budget increases including general support increases of up to 5 percent, enrollment growth of 2.5 percent, student fee increases that may not exceed 10 percent, and other key program elements through 2010-11. In exchange for long-term fiscal stability, the UC and the CSU have committed to preserving and improving student and institutional performance in numerous program areas including program efficiency, utilization of systemwide resources, and student-level outcomes. The resources provided through the Compact enable the UC and the CSU to accomplish their missions outlined in the Master Plan for Higher Education as described above.

The Governor's Budget reflects total funding of \$19.8 billion, including \$14.1 billion General Fund and Proposition 98 sources for all major segments of Higher Education (excluding infrastructure and stem cell research), which reflects an increase of \$1.1 billion (\$846.4 million General Fund and Proposition 98 sources) above the revised 2006-07 budget. These amounts represent a 5.7-percent total funding increase including a 6.4-percent increase in General Fund and Proposition 98 sources above the revised 2006-07 budget. The funding by major segment is shown in Figure HED-01. Notable funding changes are further described later in this chapter.

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## MAJOR ACCOMPLISHMENTS IN 2006-07

The current year budget for Higher Education reflects significant new investments that focus on the Governor's goals to: preserve high quality instruction, provide access for all students, ensure affordability for students and families, and continue high-priority initiatives begun in prior years of this Administration that address pressing current issues facing the state.

Those initiatives include increasing the numbers of high quality science and math teachers in our public K-12 school system, increasing the supply of registered nurses to address statewide clinical shortages in all areas of the state, and reinvigorating California’s career technical education system in our public schools to ensure every student has the opportunity to find gainful employment and contribute to California’s preeminence in a highly technical world economy. The magnitude of funding increases in the current year reflect the Governor’s commitment to fulfilling these goals.

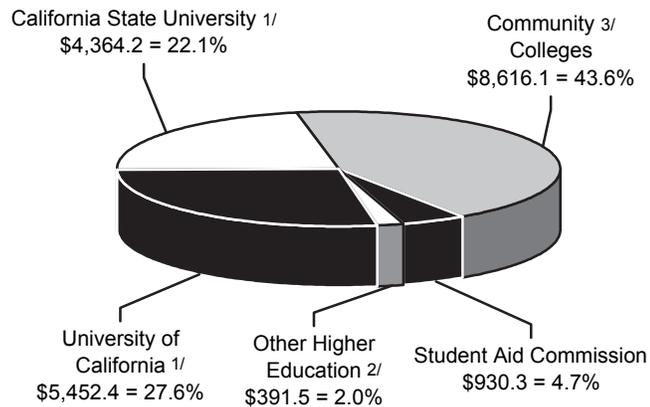
The CCC current budget, in part driven by the Proposition 98 guarantee, reflects record level increases in overall funding, which reflects the Governor’s priority to ensure the nation’s largest higher education system can deliver a high-quality education for all students that can benefit and at the lowest student cost possible. A rigorous accountability system pursuant to Chapter 73, Statutes of 2005 (SB 63) has been implemented to ensure the ability of policy makers to hold districts accountable for improved student outcomes.

Specific accomplishments included in the 2006-07 budget that contribute to the Governor’s goals are as follows:

**Increased Funding for all Segments**—The current budget reflects total funding of \$18.7 billion, including \$13.2 billion General Fund and Proposition 98 sources for all segments of Higher Education. These amounts represent a 6.6-percent increase in total funds and an 8.4-percent increase in General Fund and Proposition 98 sources over the revised 2005-06 Budget.

**Ensuring Access for All Students**—The current budget provides more than \$209 million for growth in enrollments estimated to serve over 36,000 additional full-time students

Figure HED-01  
**Proposed Higher Education 2007-08 Expenditures**  
**All Funds**  
**(Dollars in Millions)**



- 1/ For purposes of this table, expenditures for the UC and CSU have been adjusted to exclude self-supporting functions such as auxiliary enterprises and extramural programs among others. This provides consistency in comparing magnitudes and growth among the various segments of education.
- 2/ The Other Higher Education amount includes Hastings College of the Law (HCL), the California Postsecondary Education Commission, and General Obligation Bond Interest and Redemptions for UC, CSU and HCL.
- 3/ For purposes of comparing with UC and CSU General Fund, CCC includes property tax revenue, as a component of the state’s obligation under Proposition 98.

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within the three segments. The CSU and the UC received \$51.0 million and \$61.3 million, respectively, reflecting a 2.5-percent enrollment increase sufficient to add 5,149 students for the UC and 8,490 students for the CSU. The CCC received \$97.5 million for a 2-percent enrollment increase, sufficient for 23,000 additional students. When combined with declining enrollment funding in the base, the budget provides sufficient funding for a total of 47,000 additional students.

**Preserving Quality and Purchasing Power**—The current budget provides more than \$450 million to address cost increases and discretionary enhancements for the three major segments. This figure reflects a 3-percent increase for the UC and the CSU (\$80.5 million and \$75.8 million, respectively) and a 5.92-percent cost-of-living-adjustment for the CCC apportionments (\$294.4 million).

**Ensuring Affordability for Students and Families**—The current budget provides increases of almost \$220 million toward this objective. Over \$129 million was provided to maintain fees at the 2005 academic year level for the UC and the CSU, reflecting an additional state cost of \$75 million for the UC and \$54.4 million for the CSU. \$40 million was provided to reduce community college fees effective in the spring of 2007 to ensure that higher education is not priced beyond the means of students and families. \$50.7 million was provided for the CSAC's Cal Grant program, including \$38.8 million for anticipated growth in costs that reflects an offsetting cost reduction of \$28.7 million associated with the buy-out of the 8-percent undergraduate fee increases at the UC and CSU. The budget provided an additional \$11.9 million to increase the maximum Cal Grant award for new recipients at non-public colleges and universities from \$8,322 to \$9,708.

**Career Technical Education Initiative**—The current budget includes \$100 million to advance career technical education (CTE) in California's K-12 and Community College systems. This includes \$20 million in ongoing funding to support CTE programs designed to help reform this critical element of instruction offered to public secondary school students through partnerships with the Community Colleges. Collaborative efforts between the community colleges and K-12 CTE programs include: sequencing and articulating courses to ensure that students will not need to repeat courses when they move on to community colleges, developing curricula that include technical programs in emerging as well as traditional career paths, and expanding courses to ensure more students have access to the skills needed to attain gainful employment. The Budget provides one-time funding of \$80 million to K-12 public schools and community colleges for purchase of CTE equipment and materials. Finally, the 2006 Kindergarten-University Public Education Facilities Bond Act of 2006, approved by the voters in November, provides \$500 million for CTE facilities.

Science and Math Teacher Initiative—The current budget continues the progress begun in 2005 by providing additional increases totaling \$1.5 million, including \$375,000 to the UC to provide \$125,000 for each of the three UC campuses remaining to implement the initiative system wide, and \$1.1 million for the CSU to expand the program statewide. The Governor's Science and Math Teacher Initiative, announced in May 2005 with leaders from the UC, the CSU, and the business community, presented a plan to significantly increase the number of science and math teachers trained at the UC and the CSU. Under the initiative, the UC system will increase its annual production of credentialed science and math teachers from 250 per year to 1,000 per year by 2010. The CSU system will double its production of science and math teachers from 748 to 1,496 during this same time period by expanding its teacher preparation programs and increasing its efforts to recruit talented students into these teaching disciplines.

Nursing Initiative—The current budget provides \$8.2 million in new investments to address the statewide nursing shortage through the higher education segments and K-12 system for a total of almost \$32 million in 2006-07. Since 2004, this Administration has invested over \$67 million to address the state's clinical and nursing instructor shortages. The current year budget augmentations address: faculty recruitment to support previously funded nursing expansions in the CCC and four-year segments; additional increases for undergraduate nursing slots in the budget year and start-up costs for a significant increase in undergraduate nursing programs at the CSU for the following fiscal year; additional resources for Community Colleges to address nursing program attrition as well as funding to establish on-line nursing faculty and clinical placement registries; and recruitment incentives for nursing graduates needed to help meet clinical nursing position needs for state agencies administered by the CSAC.

Community College Funding Reform—In September of 2006, the Governor signed SB 361, a landmark funding reform bill for the community colleges (Chapter 631, Statutes of 2006). This bill resolved long standing disparities in per-student funding levels among community college districts by ensuring that colleges receive equal levels of per student funding support. This legislation implemented a streamlined funding formula for community colleges that preserves equalized funding rates for all colleges in the future, increases transparency, and implements a more rational growth formula to ensure equitable access. The formula recognizes efforts by colleges that elect to serve additional students beyond their funded growth levels in the high-priority core instructional areas of transfer, basic skills, and workforce preparation. To fully implement these reforms, the current budget provides an additional \$189.4 million, including \$159.4 million to fully equalize funding for college credit student workload for all districts and \$30 million to enhance the quality of non-credit course

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sequences aimed at preparing those not ready for college level work to succeed in pursuing college level career technical certificate programs or to pursue an Associate of Arts or Bachelor's degree.

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### PROPOSED HIGHER EDUCATION SPENDING FOR 2007-08

Change Table HED-01 illustrates the major changes proposed to Higher Education spending in the Governor's Budget, inclusive of infrastructure and stem cell research.

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#### FUNDING BY SEGMENT FOR 2007-08

As shown in Figure HED-02, the Governor's Budget reflects a 5.7-percent total funding increase including a 6.4-percent increase in General Fund and Proposition 98 sources above the revised 2006-07 budget. Nearly all of the increase is attributable to workload adjustments as detailed later in this chapter.

For the UC, the Budget includes \$5.5 billion (\$3.3 billion General Fund), which reflects an increase of \$345 million (\$192.1 million General Fund) above the revised 2006-07 budget. These amounts reflect a 6.8-percent total funding increase including a 6.2-percent General Fund increase over the current year.

For the CSU, the Budget includes \$4.4 billion (\$3 billion General Fund), which reflects an increase of \$270.6 million (\$165 million General Fund) above the revised 2006-07 budget. These amounts reflect a 6.6-percent total funding increase including a 5.9-percent General Fund increase over the current year.

For the CCC, the Budget includes \$8.6 billion (\$6.6 billion from General Fund and Proposition 98 sources), which reflects an increase of \$322.3 million (\$362.3 million General Fund and Proposition 98 sources) above the revised 2006-07 budget. These amounts reflect a 3.9-percent total funding increase including a 5.9-percent General Fund and Proposition 98 increase over the current year. See Figure HED-03 and Figure HED-04 for CCC funding sources.

For the CSAC, the Budget includes \$930.3 million (\$891.6 million General Fund) in local assistance funding, which reflects an increase of \$64.4 million General Fund above the revised 2006-07 budget. These amounts reflect a 7.4-percent total funding increase including a 7.8-percent General Fund increase over the current year. See Figure HED-05 and Figure HED-06 for total financial aid and growth in Cal Grants, respectively.

## Change Table HED-01

**Higher Education Agency - Changes by Broad Categories**

	2006-07			2007-08		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
<b>2006 Budget Act</b>	\$11,368,281	\$26,079,375	116,729.2	\$11,359,208	\$23,970,756	116,729.2
<b>Workload Adjustments</b>						
CCC Counseling and Tutoring Services	--	--	--	33,110	--	--
Increase for CCC Nursing Programs	9,000	--	--	9,000	--	--
Local Property Tax Adjustments	--	4,095	--	-197,172	197,172	--
Stem Cell Local Assistance Grants	--	-104,942	--	--	523,700	--
Higher Education Compact	--	--	--	345,864	--	--
Cal Grant Adjustments	-20,206	--	--	41,102	--	--
Debt Service Expenditure Adjustments	-16,355	--	--	96,645	13,173	--
Fee Revenue Adjustments	--	18,797	--	33,245	240,670	--
Extramural and Other Non-State Supported Programs	--	-1,315,489	--	--	-1,001,947	--
Enrollment/Caseload/Population	--	--	--	115,457	--	--
Employee Compensation/Retirement	23,727	2,564	--	34,218	1,799	--
Statutory Cost-of-Living Adjustments	--	--	--	238,152	--	--
Expiring Programs or Positions	--	-397	-8.4	--	-915	-14.6
One-Time Cost Reductions	--	365	--	-87,775	-4,877	--
Other Workload Adjustments	6,647	58,368	2,832.0	-33,028	59,522	3,699.8
<b>Totals, Workload Adjustments</b>	\$2,813	-\$1,336,639	2,823.6	\$628,818	\$28,297	3,685.2
<b>Policy Adjustments</b>						
UC Research Initiative	--	--	--	20,000	--	--
Other Policy Adjustments	1,000	--	--	-5,482	175	1.9
<b>Totals, Policy Adjustments</b>	\$1,000	\$0	--	\$14,518	\$175	1.9
<b>Infrastructure Adjustments</b>	-\$3,702	-\$98,696	--	\$0	\$2,345,816	--
<b>Total Adjustments</b>	\$111	-\$1,435,335	2,823.6	\$643,336	\$2,374,288	3,687.1
<b>Governor's Budget</b>	\$11,368,392	\$24,644,040	119,552.8	\$12,002,544	\$26,345,044	120,416.3

\* Dollars in Thousands

Figure HED-02  
**Higher Education Expenditures**  
**General Fund, Lottery Funds, State School Fund,**  
**Local Revenues and Student Fees**  
**(Dollars in Millions)**

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Change from 2006-07	
							Dollar	Percent
University of California <sup>1/</sup>								
Total Funds	\$4,418.5	\$4,516.1	\$4,514.7	\$4,812.4	\$5,107.4	\$5,452.4	\$345.0	6.8%
General Fund	3,150.0	2,868.1	2,698.7	2,838.6	3,078.0	3,270.1	\$192.1	6.2%
California State University <sup>1/</sup>								
Total Funds	3,525.9	3,651.4	3,586.3	3,834.5	4,093.6	4,364.2	\$270.6	6.6%
General Fund	2,697.1	2,625.7	2,475.8	2,596.0	2,811.4	2,976.3	\$164.9	5.9%
Community Colleges								
Total Funds	6,588.5	6,697.8	7,300.8	7,764.8	8,293.9	8,616.1	\$322.3	3.9%
General Fund & P98 <sup>3</sup>	4,869.9	4,505.3	5,031.9	5,737.2	6,190.4	6,552.7	\$362.3	5.9%
Student Aid Commission (GF)								
Total Funds	594.0	689.3	776.5	820.5	865.9	930.3	\$64.4	7.4%
General Fund	569.0	658.8	595.4	735.5	827.2	891.6	\$64.4	7.8%
Other Higher Education <sup>2/</sup>								
Total Funds	180.6	199.4	301.1	307.1	327.8	391.5	\$63.7	19.4%
General Fund	165.0	179.6	274.9	280.4	299.6	362.3	\$62.7	20.9%
<b>Total Funds</b>	<b>\$15,307.5</b>	<b>\$15,754.0</b>	<b>\$16,479.4</b>	<b>\$17,539.3</b>	<b>\$18,688.6</b>	<b>\$19,754.5</b>	<b>\$1,066.0</b>	<b>5.7%</b>
<b>General Fund</b>	<b>\$11,451.0</b>	<b>\$10,837.5</b>	<b>\$11,076.7</b>	<b>\$12,187.7</b>	<b>\$13,206.6</b>	<b>\$14,053.0</b>	<b>\$846.4</b>	<b>6.4%</b>

<sup>1/</sup> For purposes of this table, expenditures for the UC and CSU have been adjusted to include the offsetting general purpose income, but exclude self-supporting functions such as auxiliary enterprises and extramural programs among others. This provides consistency in comparing magnitudes and growth among the various segments of education.

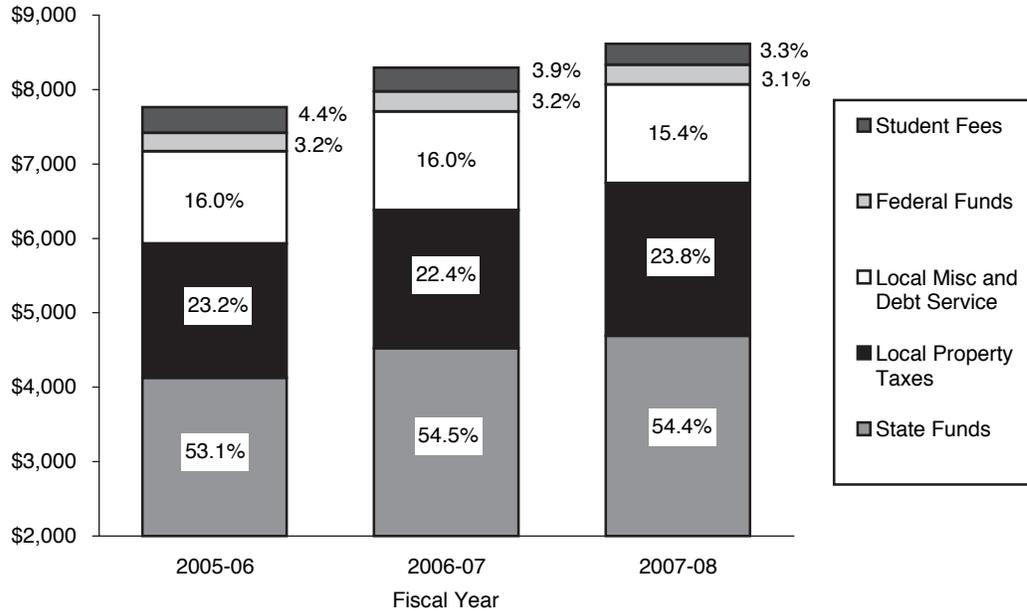
<sup>2/</sup> The Other Higher Education amount includes Hastings College of the Law (HCL), the California Postsecondary Education Commission, and General Obligation Bond Interest and Redemptions for UC, CSU and HCL.

<sup>3/</sup> For purposes of comparing with UC and CSU General Fund, CCC includes property tax revenue, as a component of the state's obligation under Proposition 98.

Figure HED-03  
**Significant Revenue Sources for Community Colleges**  
**(Dollars in Millions)**

Source of Funds	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Change From 2006-07	
							Dollars	Percent
State General Fund	\$2,879.5	\$2,404.8	\$3,277.5	\$3,934.5	\$4,333.0	\$4,502.2	\$169.2	3.9%
Lottery Fund	141.2	140.9	143.3	177.9	173.9	173.9	\$0.0	0.0%
Local Property Taxes	1,990.4	2,100.4	1,754.4	1,802.7	1,857.4	2,050.5	\$193.1	10.4%
Student Fees	169.2	243.5	334.7	344.9	321.7	281.9	-\$39.8	-12.4%
Other State Funds	11.3	8.6	9.3	13.3	13.9	13.7	-\$0.2	-1.3%
Federal Funds	250.9	249.2	244.1	249.8	267.0	267.0	\$0.0	0.0%
Local Miscellaneous	1,038.8	1,392.2	1,289.6	925.0	988.5	988.5	\$0.0	0.0%
Local Debt Service	107.1	158.0	248.4	316.7	338.4	338.4	\$0.0	0.0%
<b>TOTAL REVENUE</b>	<b>\$6,588.5</b>	<b>\$6,697.8</b>	<b>\$7,301.3</b>	<b>\$7,764.8</b>	<b>\$8,293.9</b>	<b>\$8,616.1</b>	<b>\$322.3</b>	<b>3.9%</b>

Figure HED-04  
**Revenue Source for Community Colleges**  
 (Dollars in Millions)



## HIGHER EDUCATION STUDENT ENROLLMENT

Enrollment levels for the UC and the CSU are driven by projections of eligible students in accordance with the Master Plan for Higher Education. Consistent with the enrollment projections of the Demographic Research Unit within the Department of Finance, enrollments are estimated to grow by an average of 2.5 percent annually over the next five years. Historically for CCC, a minimum level of enrollment growth is calculated based upon the change in adult population from year to year. While this calculation guides the minimum level of growth funding, the Administration and Legislature have exercised discretion to provide more funding to respond to changing enrollment demands. In most years, CCC has received growth funding in excess of the growth in the adult population in order to respond to key variables that drive enrollments at community colleges such as unemployment and market demand. With budgeted growth for the three public higher education segments, the overall increase in the number of students expected to be served in 2007-08 is 35,753 full-time equivalent students (FTES) for a total of 1,749,545 FTES (see Figure HED-07).

**Figure HED-05  
Financial Aid Grants  
General Fund and Fee Revenue Funded  
(Dollars in Thousands)**

Institution/Fund Source	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Change from 2006-07	
							Dollars	Percent
University of California <sup>1/</sup>	\$287,761	\$355,654	\$371,944	\$411,833	\$426,928	\$474,318	\$47,390	11.1%
General Fund	52,199	52,199	93,417	52,199	52,199	52,199	\$0	0.0%
Fee Revenue <sup>3/</sup>	235,562	303,455	278,527	359,634	374,729	422,119	\$47,390	12.6%
California State University <sup>1/, 2/</sup>	132,716	242,206	229,553	269,525	260,705	299,511	\$38,806	14.9%
General Fund	51,147	51,147	51,147	51,147	51,147	51,147	\$0	0.0%
Fee Revenue	81,569	191,059	178,406	218,378	209,558	248,364	\$38,806	18.5%
Community Colleges <sup>1/</sup>								
General Fund	102,723	168,138	266,001	269,006	245,499	215,387	-\$30,112	-12.3%
Student Aid Commission <sup>1/, 4/</sup>								
General Fund	569,024	658,751	595,410	735,470	827,178	891,608	\$64,430	7.8%
<b>Total</b>	<b>\$1,092,224</b>	<b>\$1,424,749</b>	<b>\$1,462,908</b>	<b>\$1,685,834</b>	<b>\$1,760,310</b>	<b>\$1,880,824</b>	<b>\$120,514</b>	<b>6.8%</b>
General Fund	775,093	930,235	1,005,975	1,107,822	1,176,023	1,210,341	\$34,318	2.9%
Fee Revenues	317,131	494,514	456,933	578,012	584,287	670,483	\$86,196	14.8%

<sup>1/</sup> Reflects budgeted amounts for 2006-07 and 2007-08.

<sup>2/</sup> Includes \$14 million GF for EOP grants through 1998-99 and \$17 million from 1999-00 to 2007-08.

<sup>3/</sup> Beginning in 2004-05, UC augmented its student fee revenues for financial aid by \$8.140 million by increasing fees to non-resident students.

<sup>4/</sup> Includes one-time fund shift from General Fund to Student Loan Operating Fund in 2004-05 (\$146.5 million) and 2005-06 (\$51.0 million).

**Figure HED-06  
Cal Grant Funding  
(Dollars in Thousands)**

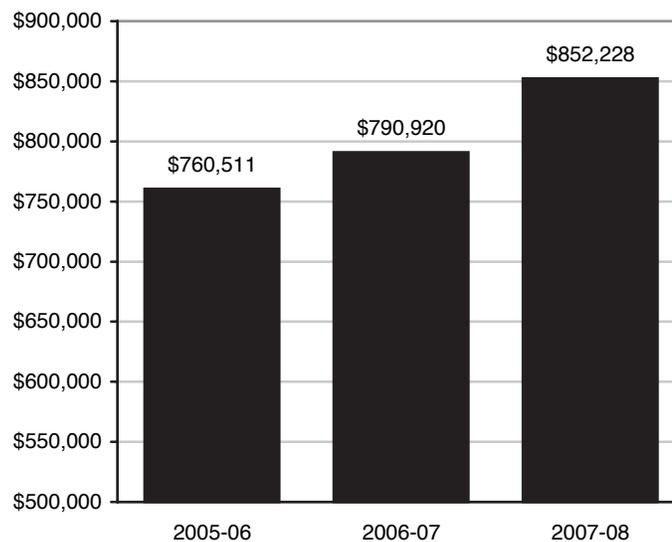


Figure HED-07  
**Higher Education**  
**Full-Time Equivalent Students**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Change from	
								2006-07	
								FTES	Percent
University of California	185,304	196,188	201,896	201,403	205,368	211,255 <sup>1/</sup>	216,255	5,000	2.4%
Undergraduate	(144,091)	(152,527)	(155,754)	(155,342)	(159,135)	(163,763)	(168,424)	(4,661)	2.8%
Graduate	(28,487)	(30,531)	(32,874)	(32,596)	(32,777)	(34,755)	(34,800)	(45)	0.1%
Health Sciences	(12,726)	(13,130)	(13,268)	(13,465)	(13,456)	(12,737)	(13,031)	(294)	2.3%
California State University	316,395	331,353	331,705	321,338	341,511 <sup>3/</sup>	348,262	355,954	7,692	2.2%
Undergraduate	(267,100)	(276,607)	(278,774)	(274,940)	(288,800)	(294,461)	(301,081)	(6,620)	2.2%
Graduate/Post-baccalaure	(49,295)	(54,746)	(52,931)	(46,398)	(52,711)	(53,801)	(54,873)	(1,072)	2.0%
Community Colleges	1,099,343	1,129,645	1,106,390	1,121,681	1,107,294	1,153,025 <sup>2/</sup>	1,176,086 <sup>2/</sup>	23,061	2.0%
Hastings	1,200	1,262	1,250	1,268	1,281	1,250	1,250	0	0.0%
<b>Total Students</b>	<b>1,602,242</b>	<b>1,658,448</b>	<b>1,641,241</b>	<b>1,645,690</b>	<b>1,655,454</b>	<b>1,713,792</b>	<b>1,749,545</b>	<b>35,753</b>	<b>2.1%</b>

<sup>1/</sup> Budgeted. Estimated enrollment is 213,121 in 2006-07 for UC.

<sup>2/</sup> Figure reflects DOF projection of budget FTES. There is insufficient data to project unfunded or over-cap levels.

<sup>3/</sup> CSU recalculated its 2005-06 enrollments to reflect full-time graduate students as taking 12 units per term, rather than 15 units as in the past, to be consistent with national higher education reporting standards.

## STUDENT FEES

UC and CSU Student Fees—When preparing their annual 2007-08 Budgets, the Regents of the UC and the Trustees of the CSU deferred decisions on student fee increases. The segments have now advised the Administration, pursuant to the provisions of the Compact, that undergraduate fee increases are necessary to augment the Compact's basic budget support provisions in order to maintain the quality of core instructional programs. The UC proposes fee increases of 7 percent for undergraduates, graduate students, and most professional schools. The CSU proposes fee increases of 10 percent for undergraduates, credential candidates, and other graduate students. Despite these increases, fees remain very competitive, with the UC's fees below the average of comparable national institutions and the CSU's fees as the lowest in the nation for comparable 4-year comprehensive colleges. Both the UC and the CSU plan to set aside at least one-third of the increased fee revenue for financial aid, consistent with the Compact's provisions.

Community Colleges Fees—The Governor's Budget proposes no fee increase. CCC college fees for credit courses will remain at \$20 per credit unit pursuant to agreement reached in negotiations on the 2006 Budget Act. CCC fees remain the lowest in the nation by far and are just 24 percent of the national average. See Figure HED-08 for current and proposed fee levels and comparisons with other public institutions for all higher education segments.

Figure HED-08  
Higher Education Fees

2006-07 Fee Comparison

	<u>UC<sup>a/</sup></u>				<u>Other Public Institutions (2006-07)</u>		
	<u>2006-07</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2007-08</u>	<u>Average</u>	<u>Highest</u>	<u>Lowest</u>
	<u>Ed/Reg</u>	<u>Total Fee</u>	<u>Ed/Reg</u>	<u>Total Fee</u>			
	<u>Fee</u>		<u>Fee</u>				
Undergraduate	\$6,141	\$6,852	\$6,636	\$7,347	\$8,354	\$9,723	\$6,129
Graduate	\$6,897	\$8,938	\$7,440	\$9,481	\$11,288	\$14,991	\$9,448
	<u>CSU<sup>b/</sup></u>						
Undergraduate	\$2,520	\$3,199	\$2,772	\$3,451	\$6,665	\$9,994	\$3,684
Graduate (non-teacher prep.)	\$3,102	\$3,781	\$3,414	\$4,093	na	na	na
Graduate (teacher prep)	\$2,922	\$3,601	\$3,216	\$3,895	na	na	na
	<u>CCC<sup>c/</sup></u>						
Full-Time Undergraduate Student	\$690		\$600		\$2,481	\$5,689	\$1,191
Bachelor-Degree Holders	\$690		\$600		na	na	na

<sup>a/</sup> UC's 2006-07 undergraduate education fee of \$6,141 (\$6,897 for graduate students), includes a registration fee of \$735. Total fees include an additional average campus-based fee of \$711 for undergraduate students and \$2,041 for graduate students. In 2007-08, the registration fee will increase to \$786 for both undergraduate and graduate students. The campus-based fees do not reflect a change from 2006-07, since they have not yet been determined by UC. UC's 2007-08 fees reflect an increase of 7 percent. (These fees include a \$60 temporary surcharge to cover income losses associated with a student fee lawsuit.)

<sup>b/</sup> CSU's total fees in 2006-07 include a campus-based fee of \$679 for all students. CSU's 2007-08 education fees reflect an increase of 10 percent, while the campus-based fee will remain at \$679 for all students.

<sup>c/</sup> Comparison data for other states reflect 2005-06 data. 2006-07 fee levels are based on 15 units @ \$26 per unit for Fall 2006, and 15 units @ \$20 per unit for Spring 2007, reflecting a mid-year student fee reduction enacted by trailer bill legislation.

2006-07 Professional School Fee Comparison:

	<u>UC<sup>d/</sup></u>	<u>Other Public Institutions</u>		
		<u>Average</u>	<u>Highest</u>	<u>Lowest</u>
Law	\$25,101	\$25,348	\$35,501	\$14,762
Medicine	\$22,753	\$25,678	\$30,100	\$21,377
Business Administration	\$24,634	\$24,864	\$35,989	\$9,642

<sup>d/</sup> Professional fees reflect the average among campuses.

**WORKLOAD ADJUSTMENTS**

The 2007-08 Governor's Budget continues the Governor's objectives for providing access and preserving quality instruction through full funding for basic budget support and enrollment growth in accordance with the Higher Education Compact; full funding for enrollment growth and COLA for the CCC within the growth in the Proposition 98 Guarantee in accordance with the new funding formula contained in Chapter 631, Statutes of 2006; and full funding for the

Cal Grant Program. While fee increases within the limitations of the Compact are proposed, the UC and the CSU will set aside sufficient fee revenue to offset tuition increases in accordance with the Compact to ensure no additional financial hardships for needy students. Significant General Fund and Proposition 98 related workload and baseline adjustments are detailed for each major segment as follows:

#### UNIVERSITY OF CALIFORNIA

##### Budget Year

- \$116.7 million increase (4 percent) for basic budget support consistent with the Compact.
- \$54.4 million increase (2.5 percent) for enrollment growth consistent with the Compact. This funding will enable UC to enroll an additional 5,000 state-supported students.
- \$104.7 million increase in fee revenue associated with the 7-percent fee increase for undergraduate, graduate, and professional school students. Fees for certain law and business programs will increase by 10-percent. One-third of the revenue generated by the fee increases for undergraduate and professional programs and 45 percent of the revenue generated by the graduate fee increase will be set aside for financial aid.
- \$14 million continuation of one-time funds for costs associated with sustaining UC Merced operations for a total funding level of \$24 million.
- \$757,000 to restore nursing funding for expansion of entry-level master's nursing programs pursuant to Chapter 592, Statutes of 2005 (SB 73).
- \$570,000 increase for the next cohort of 38 students for the PRIME Program, which targets prospective medical doctors for underserved populations.
- \$10.5 million increase for annuitant health benefits.
- \$15.8 million increase for lease purchase payments.
- \$19.3 million reduction by eliminating the legislative augmentation for Student Academic Preparation and Education Programs.
- \$6 million reduction by eliminating the legislative augmentation for the Labor Institutes.

##### Current Year

- \$1.3 million increase for lease purchase payments.

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### CALIFORNIA STATE UNIVERSITY

#### Budget Year

- \$108.7 million increase (4 percent) for basic budget support consistent with the Compact.
- \$65.5 million increase (2.5 percent) for enrollment growth consistent with the Compact. This funding will enable CSU to enroll an additional 8,355 state-supported students.
- \$97.8 million increase in fee revenue associated with a 10-percent fee increase for undergraduate, graduate, and teacher credential candidates. One-third of the revenue generated by the fee increases will be set aside for financial aid.
- \$2 million increase for the next phase of the Science and Math Teacher Initiative that began with the 2005 Budget Act.
- \$120,000 increase (4 percent) for the Capitol Fellows Program consistent with the Compact.
- \$23.3 million to continue the increase for retirement costs.
- \$2.7 million reduction for lease purchase payments.
- \$7 million reduction by eliminating the legislative augmentation for Student Academic Preparation and Education Programs.

#### Current Year

- \$23.3 million increase for retirement costs.
- \$2.0 million reduction for lease purchase payments.

### CALIFORNIA COMMUNITY COLLEGES

#### Budget Year

- \$109.1 million increase (2 percent) for enrollment growth for Apportionments. This funding will enable CCC to enroll an additional 23,000 full time equivalent (FTE) students. This level exceeds the 1.65-percent change in the adult population, equally weighted between the 19-to-24 and the 25-to-65 age groups, the new statutory index factors relevant in 2007-08 pursuant to Chapter 631, Statutes of 2006.
- \$224.9 million increase for a cost-of-living increase (4.04-percent COLA) for general-purpose Apportionments.

- \$19.6 million increase for Categorical Program enrollment growth and COLA (2 percent and 4.04 percent, respectively). These programs provide essential services to special populations and include Basic Skills, Matriculation, Disabled Students Programs and Services, Campus Childcare Tax Bailout, and Extended Opportunity Programs and Services.
- \$33.1 million redirection of surplus Basic Skills overcap incentive funding to support additional Matriculation and support services for community college students. Of this amount, \$19.1 million is specifically dedicated to additional counseling and tutoring services for those students most at risk of failing to complete a program (See Program Enhancements and Other Budget Adjustments section for additional detail).
- \$9 million one-time current year funding and \$9 million in ongoing funding to support additional nursing program investments in community colleges. These funds are available in the community colleges base from 2006 Budget Act set-aside actions and are now proposed to assist colleges in expanding enrollments by providing startup funding for new nursing programs, funding new clinical simulation laboratories, expanding services that will reduce attrition, and funding incentives to add additional prerequisite science courses. (See Program Enhancements and Other Budget Adjustments section for additional detail).
- \$33.2 million increase to offset the remaining fee revenue reduction incurred by colleges in the budget year due to the reduction in student fees from \$26 per unit to \$20 per unit in the spring of 2007 and other workload adjustments.
- \$197.2 million reduction to Apportionments to reflected estimated growth in local property taxes of an identical amount.

Current Year

- \$4.1 million increase in property tax revenue based on revised estimates.
- \$6.6 million estimated increase in fee revenue reflecting an increase in the average number of credit units taken per FTES.

**STUDENT AID COMMISSION**

Budget Year

- \$61.3 million increase over the revised 2006-07 level for anticipated growth in the Cal Grant Program, reflecting increased participation and the anticipated undergraduate fee increases of 7 percent and 10 percent at UC and CSU, respectively.

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- \$2.9 million increase over the revised 2006-07 level for anticipated growth in costs in the Assumption Program of Loans for Education (APLE).
- Authorization for 600 new warrants for the APLE program for students participating in the Governor’s Science and Math Teacher Initiative.

### Current Year

- \$19.7 million in savings in the Cal Grant and APLE programs.

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## PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

The 2007-08 Governor’s Budget proposes significant increased investments for the Science and Math Teacher Initiative for the CSU, the Nursing Initiative for the CCC and the UC, and the Career Technical Education Initiative funded through the CCC budget. Moreover, the Budget proposes the first increment of a new UC research initiative that makes strategic investments designed to maintain California’s leadership position as an incubator for new cutting edge, environmentally-friendly industry development and a new Student Success Initiative to help at-risk Community College students succeed in achieving certificates and degrees. Highlights of each initiative are detailed below:

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### UNIVERSITY OF CALIFORNIA RESEARCH—KEEPING THE STATE ON THE CUTTING EDGE

California is the national leader in innovation. California has more scientists, engineers and researchers than any other state. Supported by some of the world’s finest universities and research institutions, California is responsible for one in four patents, attracts half of all venture capital, and provides 20 percent of all technology jobs in the United States. Research conducted at the University of California is one of the primary engines powering this innovation, as well as the state’s economy, and is critical to keeping California competitive in the global market.

The Budget includes \$95 million for four major projects: \$30 million for the Helios Project, \$40 million for the Energy Biosciences Institute, \$19.8 million to the California Institutes for Science and Innovation, and \$5 million for the Petascale Supercomputer project. These projects conduct research in the key areas of “clean” energy technology, biotechnology,

and nanotechnology. These funds have the potential to leverage private and federal funding in excess of \$1 billion.

#### **HELIOS PROJECT**

The Budget provides \$30 million in lease revenue bonds for the Helios Project, a groundbreaking initiative by the University of California's Lawrence Berkeley National Laboratory to create sustainable, carbon-neutral sources of energy. The Helios Project will produce the next generation of super-efficient solar energy technology that will help reduce greenhouse gases and our oil dependency. The Helios Project's four goals are to: 1) generate clean sustainable alternatives to hydrocarbon fuels; 2) develop new energy sources; 3) improve energy conservation; and 4) reduce greenhouse gas emissions. The \$30 million in the Budget is provided as the state's share of a new \$100 million, 100 thousand square-foot energy/nanotechnology research building for the Helios Project.

#### **ENERGY BIOSCIENCES INSTITUTE**

The Budget provides \$40 million in lease revenue bonds to the University of California for UC Berkeley or UC San Diego in the event that either wins a global competition for the BP's Energy Biosciences Institute grant. These campuses were among only five universities in the world that were invited to compete for this \$500 million grant to build and operate an Energy Biosciences Institute, which will be dedicated to long-term research into the production of alternative fuels. The Institute will focus on converting biomass materials into fuels, converting fossil fuels to energy with less environmental damage and maximizing oil extraction from existing wells in environmentally sensitive ways. To accelerate California's movement towards a clean fuel future, the University of California will coordinate the Institute's work with the Helios Project.

#### **CALIFORNIA INSTITUTES FOR SCIENCE AND INNOVATION**

The Budget provides \$19.8 million for the California Institutes for Science and Innovation. The four Institutes are a multidisciplinary research effort by the University of California—working in partnership with 275 private companies—to engage the UC's research faculty directly with California companies in attacking large-scale issues critical to California's economy and its citizens' quality of life. With the express goal of sustaining California's global growth and competitiveness, the CISI bring the world's finest researchers together to find solutions to our greatest medical and technological challenges and position California at the forefront of research, innovation and jobs. Information technology, biomedical research, nanotechnology, health care and energy systems are among the areas of focus for the Institutes. The \$19.8 million will fund advanced technology infrastructure, personnel,

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and provide seed money to build new research teams. In just five years, nearly half a billion dollars in federal funds already have been brought to California by Institute researchers.

### PETASCALE SUPERCOMPUTER

The University of California leads the world in high-speed computer technology and is poised to debut the next generation of supercomputers. The University of California is competing against institutions in other states to become the site for a new \$200 million Petascale computer facility funded by the National Science Foundation. The Governor's Budget provides the first \$5 million in state matching funds to enhance the University of California's bid. The Petascale computer, named for the speed at which it can process information, will be the most powerful computer in the world. It will provide an enormous competitive advantage to California businesses and universities, helping to attract the best students and faculty from around the world. The Governor's commitment of these funds will significantly enhance the University of California's bid for this groundbreaking project.

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### CAREER TECHNICAL EDUCATION INITIATIVE

In an ever-evolving economy, California students need multiple pathways to rewarding and productive careers. The Administration remains committed to expanding opportunities for high school and community college students to take high-quality, academically rigorous career technical education (CTE) courses.

Since the Governor launched his CTE initiative in 2005, the state has made significant investments aimed at reinvigorating CTE programs. Chapter 352, Statutes of 2005 (SB 70) marked the beginning of the Governor's CTE Initiative, providing \$20 million for CTE courses in high schools and Community Colleges. At the heart of this initiative are "2 + 2" programs that offer articulated series of courses beginning in a high school and continuing at a community college.

As a result of the investments in the 2005-06 budget and those described for the current year budget, the state has begun to restore the capacity and vitality that many CTE programs had lost due to decades of erosion in these programs. California is making significant progress in building CTE programs that will provide students with additional options and opportunities and help to meet the evolving demands of California business and industry.

The Governor's Budget proposes \$52 million to expand CTE course offerings and programs. These resources include \$20 million in the CCC's base funding for SB 70 programs as well as \$32 million in new funding provided pursuant to Chapter 751, Statutes of 2006 (SB 1133). The Administration proposes that these funds be used for the following activities:

- Expanding the number of CTE courses offered in middle schools, high schools, and community colleges.
- Building stronger partnerships between the business sector and educational institutions.
- Planning and implementing CTE curriculum for emerging industries.
- Expanding internship opportunities for students.
- Establishing career exploration opportunities for middle school students.
- Creating career-themed high schools.
- Establishing streamlined pathways for becoming a CTE teacher.
- Creating several pilot career academies for young adults and high school dropouts who are unable to maintain living wage employment due to academic deficiencies.

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### CCC STUDENT SUCCESS INITIATIVE

The Governor's Budget proposes to redirect \$33.1 million in underutilized, ongoing funds for improving student outcomes. These funds are currently dedicated for student instruction that exceeds district funding limits and are not projected to be needed in the foreseeable future. Instead, this amount is proposed to help the most at-risk, first time students that are in transition from high school to define and complete specific academic goals with the following services:

- \$14 million is provided for additional core Matriculation Program services, which includes orientations, counseling and academic assessment, referrals to specialized services, evaluation of study skills, and advising on course selection.
- \$19.1 million is provided for targeted counseling services to help assess career options, evaluate aptitudes, and form an academic plan of study for career preparation for those students that are most at risk of failing to complete a meaningful education program. This funding would provide hands on tutoring to assist these young adults in progressing through their plan and achieving their goals. Accountability measures for improved outcomes for these students are proposed to be incorporated into the new CCC accountability system.

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### NURSING INITIATIVE

Building on investments made in the current year budget described previously, the Governor's Budget proposes \$9 million in ongoing funding and \$9 million in one-time current year funding to support additional nursing instructional capacity in community colleges. The CCC, with 74 existing nursing programs, are the leaders in training and educating the nursing workforce. Recognizing their mission and capacity to provide additional training and services to meet the documented clinical nursing shortage, the Budget proposes:

- \$9 million in ongoing funding for additional services to reduce enrollment attrition (\$5.2 million) and for incentives to increase costly science course sections that are prerequisite to enrolling in nursing programs (\$3.8 million).
- \$9 million in one-time funding for start up costs for five new nursing programs (\$5 million) and development of four new regional clinical simulation laboratories (\$4 million).

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### SCIENCE AND MATH TEACHER INITIATIVE

To help address California's critical shortage of highly trained teachers in the subjects of science and math, the Governor's Budget proposes an increase of \$2 million for a total of \$2.7 million for the CSU to support the third year of the Science and Math Teacher Initiative. This funding will enable the CSU to establish three regional science and math teacher recruitment centers and continue to expand its campus programs in order to double the number of science and math teachers trained annually. When combined with the \$1.1 million that is continued in the UC budget, this initiative proposes a total of \$3.8 million for 2007-08. The Budget also proposes an increase of 600 education loan assumption warrants in the CSAC budget to provide incentives for promising students to enter the teaching field in these critical shortage areas.

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### OTHER POLICY PROPOSALS

For CCC, the Governor's Budget also includes the following proposed local assistance policy increases that are funded from Proposition 98 resources:

- \$1 million in one-time current year funds for the California Partnership for Achieving Student Success Program (CalPASS), a project that helps all segments determine the efficacy of curriculum for articulated course sequences between segments to ensure successful student outcomes.

- \$350,000 in ongoing funds for Fiscal Crisis and Management Team (FCMAT) assistance to CCCs to ensure resources are available to respond to financial instability indicators or other signs of trouble before they develop into insolvency such as recently occurred at the Compton CCD.